

OS REISTRY
FILE

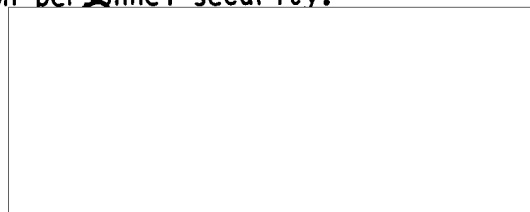


15 February 1985

NOTE FOR: D/OS

FROM: Chairman, SECOM

Attached is a copy of Secretary Weinberger's response to Dr. Devine's letter dated 16 January 1985, and supporting papers. These were given to SECOM by an OSD representative on 14 February 1985. OSD's position is that OPM should confine its efforts to job suitability issues and not involve itself in the security of classified information. The Federal Personnel Manual currently deals with both aspects. DoD would prefer to have the NSDD-84 process produce policy on personnel security.



5-0181 12/19



STAT



THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

, 7 FEB 1985

Honorable Donald J. Devine
Director
Office of Personnel Management
Washington, D.C. 20415

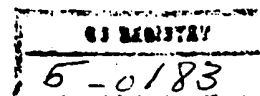
Dear Dr. Devine:

I have examined your January 16, 1985 letter regarding national security and suitability investigative programs at the Department of Defense as they relate to Basic Installment 311, issued by you on January 6, 1984.

I appreciate your continuing interest with respect to these programs in the Department of Defense.

After extensive study and review of Basic Installment 311, Deputy Secretary of Defense Taft on May 7, 1984 established the Department of Defense position. Legal and other problems identified by our review, including the matter of excessive administrative costs, necessitate that DoD implementation be held in abeyance until the President has had the opportunity to take action on the recommendations of the NSDD-84 study group, which was appointed by him and chaired by the Department of Justice, "to study the federal personnel security program and recommend appropriate revisions in existing Executive Orders, regulations, and guidelines."

Options and recommendations regarding the study areas to be examined were developed by the NSDD-84 group and forwarded to the Special Assistant to the President for National Security Affairs on May 1, 1984, by way of the Interagency Group/Countermeasures and the Senior Interagency Group/Intelligence. One of the recommendations is to draft a new Executive Order concerning access to classified information and to modify EO 10450 to make personnel security requirements clearly distinguishable from the general suitability requirements regarding federal employment. I understand that on April 19, 1984, in a personal appearance before the Senior Interagency Group/Intelligence you, as well as the SIG-I, supported all of the NSDD-84 group's recommendations. We were subsequently advised in October 1984, that the National Security Council would later in the year review the options paper and no problems were anticipated.



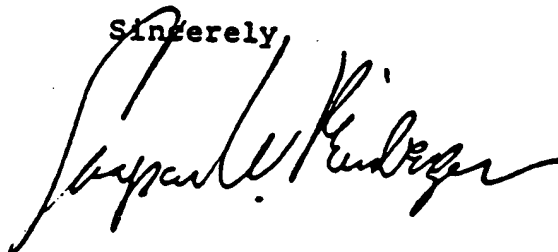
It has long been our position and that of several other executive branch departments and agencies that play a key role in national security matters that Executive Order 10450, cited in your January 16, 1985 letter, no longer serves its intended purpose and that a new order should be issued. A new order to supersede the national security provisions of EO 10450, of course, would impact both in the personnel security and personnel suitability areas.

I am aware that the Department's personnel security program, the largest in the Federal Government, has not yet reached optimum effectiveness. During the last four years, we have intensively scrutinized the program, and significant improvements have been put in place. Last August, I met with General Stilwell and his staff to review additional measures that are feasible. Presently under consideration are actions designed for further improvement that were derived from an analysis of the effectiveness of the DoD Industrial security program completed on December 10, 1984.

Nevertheless, we believe that any program change as wide reaching as envisioned in Basic Installment 311, which has implicit impact on our military and industrial security programs, required the fullest coordination with all involved Executive Branch agencies. Basic Installment 311 was issued without that necessary coordination. On the other hand, the NSDD-84 study was directed by the President to assure a deliberate carefully constructed, fully coordinated effort to develop an integrated assessment of all personnel security programs of the Federal Government.

Accordingly, we will continue to cooperate with your office, as an element of the NSDD-84 study group, to develop recommendations for the President to reshape and upgrade the federal personnel security program. With the full cooperation of all participating agencies, we are confident that we can recommend to the President measures that will improve national personnel security.

Sincerely,



OSD Files
01181

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

29 JAN 1985



POLICY

In reply refer to:
I-06652/85

MEMORANDUM FOR THE SECRETARY OF DEFENSE

THROUGH: THE DEPUTY SECRETARY OF DEFENSE

THE UNDER SECRETARY OF DEFENSE (POLICY) 1 FEB 1985

SUBJECT: Response to Director, Office of Personnel Management
(OPM) Concerning Basic Installment 311--ACTION
MEMORANDUM

On January 16, 1985, the Director, Office of Personnel Management (OPM) wrote you concerning DoD national security and suitability investigative programs (Tab B). Basically, he criticizes DoD non-implementation of Basic Installment 311, a broad revision of the federal civilian personnel security and suitability program, issued by OPM.

By way of background - the Administration's position with respect to federal personnel security was established on 11 March 1983 when the President promulgated National Security Decision Directive (NSDD) 84 which directed, among other things, that an interdepartmental group, under the Department of Justice (DOJ), undertake a "study of the federal personnel security program and recommend appropriate revisions in existing Executive orders, regulations, and guidelines" (Tab C).

The NSDD-84 study group, chaired by DOJ, and consisting of OPM, DoD, FBI, State and Treasury, soon thereafter began deliberations to assess the matter and provide recommendations to the President.

However, on January 6, 1984, while the NSDD-84 study was still in progress, Director Devine issued Basic Installment 311 setting forth fundamental revisions of Chapters 731 (Personnel Security), 732, (Personnel Investigations), and 754 (Suitability Disqualification Actions) of the Federal

FEDOR, WILLIAM R.
ODUSD/P 73969

Personnel Manual. The revisions were issued without any prior coordination or consultation with Defense, on whom it will have the greatest impact, or any other executive branch agency.

In coordination with OGC, OASD(MI&L) and the Defense Components, we immediately undertook an evaluation of Basic Installment 311. It was the unanimous assessment that Basic Installment posed serious administrative and resource problems.

Therefore, on 3 April 1984, Dr. Devine, Larry Korb, Doc Cooke, Jerry Calhoun and I met in an attempt to resolve these problems. Devine stated the regulations were merely "guidance" and that he would put this interpretation in a letter to us without delay. In the interim, on 10 April 1984, the Acting ASD(MI&L) advised Mr. Taft, and we agreed, that unless relief was provided, OSD and the Components would have major problems with the regulations as written--and that implementation was estimated at \$400 million. Moreover, he pointed out that federal personnel security was currently the subject of a Department of Justice-chaired Presidentially-directed study group (NSDD-84) (Tab D).

Subsequently, OPM, instead of a letter, presented a draft bulletin purportedly providing DoD relief. However, a review of the bulletin by OGC and my office concluded it essentially changed nothing.

On May 4, 1984, Len Niederlehner reiterated to Mr. Taft the significant cost and administrative problems posed by Basic Installment 311 - adding that there were legal problems as well with respect to enforcement. On 7 May 1984, Mr. Taft, after reviewing Mr. Niederlehner's memorandum, determined that, consistent with the Administration's position, DoD implementation of Basic Installment 311 be held in abeyance until the President had an opportunity to act on the recommendations of the NSDD-84 study group (Tab E).

Shortly before this, on 19 April 1984, the Senior Inter-agency Group/Intelligence (SIG-I) met to consider the recommendations of the NSDD-84 study group (Tab F). One recommendation is to write a new executive order superseding E.O. 10450 separating personnel security from personnel suitability. Dr. Devine attended and supported, along with the rest of the SIG-I, forwarding the recommendations on to the Assistant to the President for National Security Affairs--which was done on May 1, 1984 (Tab G).


In response to a request on April 3, 1984 from the Chairman on Military Personnel and Compensation, House Committee on Armed Services, I advised that, consistent with the Administration's position, DoD was working with the DOJ study group (NSDD-84) reviewing the entire Federal personnel security program which would undoubtedly result in significant recommendations. I advised that we could not support Basic Installment 311, but that Director Devine indicated he would provide DoD a letter offering flexibility and that it appeared possible an accommodation could be reached without legislation (Tab H). At no time did I take any action that was inconsistent with the Administration's position on this legislation, as Dr. Devine suggests.

Director Devine has not provided DoD relief.

Subsequently, on 19 October 1984, the FY 85 Defense Authorization Act (P.L. 98-525) was passed and signed by the President which, among other things, prohibited DoD from expending any funds for implementation of Basic Installment 311 through 1 July 1985 (Tab I).

We understand that the National Security Council staff has no problems with the NSDD-84 study and that the group will be reconvened shortly with the view towards developing recommendations for submission to the President.

Accordingly, I urge that you sign the attached letter to Director Devine (Tab A) advising him that we will continue to work with him, under the auspices of the Presidentially-directed study group, to develop recommendations for the President with respect to reshaping and upgrading the Federal personnel security program--and that in the interim, until the President makes a decision on this matter, DoD will hold in abeyance implementation of Basic Installment 311.


Richard G. Stilwell
General, USA (Ret.)
Deputy

Enclosures
a/s

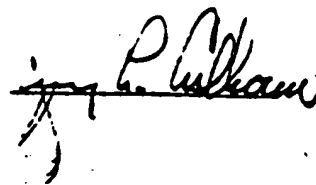
COORDINATION:

DOD, GC

30 JAN 1985

 "signed" Chapman B. Cox

ASD(MI&L)





Office of the Director

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

OFFICE OF THE SECRETARY OF DEFENSE
SEC DEF
HAS SEEN

JAN 18 1984

January 16, 1985

The Honorable Caspar W. Weinberger
Secretary of Defense
The Pentagon
Washington, DC 20301

Dear Mr. Weinberger:

As you are aware, I have been concerned about the national security and suitability investigations programs of the Department of Defense since even before I met with you on July 1, 1981 to discuss such matters. Under Executive Order 10450, I am required to oversee the Federal civilian personnel security programs, and under Executive Order 10577 (as amended in E.O. 12107), I am required to oversee and directly administer the civil service suitability programs. As I mentioned in my letter of January 27, 1982 to Mr. Taft, this led OPM to begin evaluation of the DOD security program. The appraisal evaluation process has now reached a stage where I feel it is important to discuss directly with you some serious matters which concern me.

STAT

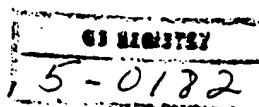
A Report of the Committee on Appropriations of the House of Representatives, dated October 20, 1983, also is relevant to my concerns. That Report contains the following language:

"The Committee believes that immediate action is required by the Department of Defense to correct these longstanding and potentially damaging deficiencies in personnel and industrial security. The Committee is therefore directing that the Secretary of Defense come to an agreement with the Director of Central Intelligence and the Director of the Office of Personnel Management as to what constitutes an adequate cost effective background investigation for military, civilian and industrial employees obtaining the various levels of security clearance."

In response to that directive, I am sending a copy of this letter to the Director of the CIA.

In a more recent development, Congress in enacting the DOD Authorization Act of 1985 included a rider exempting the Department of Defense from compliance "...before July 1, 1985...with...Basic Installment 311 of the Federal Personnel Manual...concerning personnel suitability, personnel security, and personnel investigations..." DOD also has placed a moratorium on implementing Installment 311. Congress acted in response to concerns expressed by Congresswoman Patricia Schroeder. The Committee was misled by correspondence which was offered as if it were the Department of Defense's

STAT



01181

Weinberger
Page 2

official position on Basic Installment 311. This correspondence, dated April 8, 1984 over the signature of General Stillwell, was issued without prior concurrence and coordination among various affected Department of Defense officials. In a meeting with Dr. Korb, Mr. Cooke, General Stillwell, and Mr. Calhoun of DOD an agreement was reached between OPM and DOD concerning the Department's implementation of Basic Installment 311. This agreement was satisfactory to Dr. Korb, Mr. Cooke, and Mr. Calhoun, and resolved most of the outstanding differences between OPM and DOD.

Unfortunately, in spite of this group's best efforts to set the record straight, General Stillwell's position was misconstrued as the Department's official position. Of course, this was in direct contravention of the Administration's position. In a letter to the Chairman of the Senate Armed Services Committee, Director Stockman concurred with me in noting that the "Administration strongly opposes...and urges deletion" of those sections of the Bill which have (since then) been partially enacted as Section 1304 of the 1985 Defense Authorization Act. We believe this rider represents "an unnecessary infringement on Presidential authority." That the President ultimately decided, in the overall context of the Act, to sign the bill should not be construed as a reversal of the Administration's strong opposition to and dissatisfaction with these provisions.

The basic issues raised by DOD regarded suitability, rather than security. Two specific points were raised by those urging exemption from OPM's government-wide suitability authority: "implementation" of Installment 311 on suitability should await the outcome of NSDD-84 deliberations over personnel security; and, Installment 311 suitability provisions would impose significant administrative and financial burdens on DOD.

The first objection is entirely without merit. Both the drafters of and the participants in the NSDD-84 and SIG(I) review processes--including the DOD representatives--have agreed that NSDD-84 is concerned only with standards and requirements for access to classified information, not suitability issues. NSDD-84 did not suspend OPM's continued responsibility for and authority over the much broader governmentwide civilian suitability program, nor did it authorize agencies to suspend compliance with existing OPM security requirements pending the outcome of NSDD-84. Installment 311 simply clarifies how OPM already interprets its suitability guidelines and simply recodifies already existing security criteria. There is no reasonable basis for concluding that recommendations resulting from NSDD-84 deliberations would affect government-wide suitability requirements, nor that Installment 311 would inhibit changes to the security program under the NSDD-84 process.

As to the second point, we recognize that there may well be some additional costs and burdens resulting from the clarifications now made manifest to DOD in Basic Installment 311. We find, however, that the cost estimates noted in General Stillwell's correspondence were based on erroneous assumptions and have been greatly overstated. We have discussed with Dr. Korb how these costs could be minimized with cooperation between OPM and DOD. I believe that the costs resulting from Basic Installment 311 are extremely modest in comparison with the benefits and importance of improvements in this area. In any event, OPM stands

Weinberger
Page 3

ready to issue the clarifying language agreed to in my meeting with Dr. Korb to resolve the outstanding concerns of DOD.

As noted, the House Report on the 1984 Defense Appropriation Bill concluded that "immediate action is required...to correct...these long standing and potentially damaging deficiencies in personnel and industrial security." Unfortunately, it appears to us that this may in fact be correct. Fortunately, Installment 311 provides standards and models against which DOD and other agencies can measure the effectiveness of their own programs and upgrade them, while allowing for broad flexibility and agency discretion consistent with budgetary constraints.

I have every expectation that the Department of Defense shall be able to comply fully with Basic Installment 311 as of July 1, 1985. If there are any outstanding issues, differences, or concerns that may still prove troublesome to the Department, and which may require additional clarification, please do not hesitate to let me know at the earliest opportunity. I especially would appreciate the opportunity to discuss the status of DOD's security program with you and the Director of Central Intelligence at your earliest convenience.

Sincerely,



Donald J. Devine
Director

CC: Honorable William J. Casey
Director
Central Intelligence Agency

Honorable Lawrence J. Korb
Assistance Secretary for
Manpower, Installations and Logistics
Department of Defense



POLICY

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301 -2200

Executive Registry

85-

361/1

11 FEB 1985

DD/A Registry

85-0583

In reply refer to:
I-05277/85

Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

DD/A REGISTRY

FILE: 100-12

Dear Mr. Casey:

Thank you for your letter of 23 January 1985 relative to the NSDD-84 options paper forwarded to Mr. McFarlane on 1 May 1984.

I agree that the study has got off to a good start. We strongly feel that with optimum participation and cooperation of the member departments and agencies, much needed upgrading of the federal personnel security program can be achieved. However, I do share your concern that we must insure the effort not take unexpected turns--or result in the weakening of existing rules with respect to intelligence sources and methods data.

I fully agree with your recommendation that we closely monitor the progress of the NSDD-84 options study in view of its importance to the overall improvement of the Federal personnel security program. Let me assure you that we will continue to give the study our best effort.

Recently, we were advised that the National Security Council staff has no problems with the study group recommendations, and we could expect a response very shortly. However, no formal reply has been received to date.

Therefore, in accordance with your suggestion and in order to insure the momentum on this important task, I have just dispatched the enclosed letter to Mr. McFarlane. My people and I will continue to participate fully in this important effort and look forward to working closely with your staff in developing substantive policy recommendations.

Sincerely,

Richard G. Stilwell
Richard G. Stilwell
General, USA (Ret.)
Deputy

Enclosure
a/s



POLICY

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301 -2200

11 FEB 1985

In reply refer to:
I-05277/85

The Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

On March 11, 1983, the President issued National Security Decision Directive Number 84 (NSDD-84) which, among other things, tasked the Attorney General, in consultation with the Director, Office of Personnel Management (OPM), to establish an interdepartmental group to study the federal personnel security program and recommend appropriate revisions to existing Executive Orders, regulations, and guidelines.


During the period March 1983 to April 1984 this group, under the leadership of Ms. Mary Lawton of the Office of Intelligence Policy and Review, Department of Justice (DOJ), met with representatives of OPM, Defense, FBI, Energy, State and Treasury to identify approaches to comply with the President's tasking. After many meetings over the course of the year, several fundamental policy issues requiring the guidance of the National Security Council were identified by the working group and presented to the Senior Interagency Group/Intelligence (SIG-I) for review.

On May 1, 1984, after approval by the SIG-I, all of these issues, together with recommendations, were forwarded to you for consideration and approval.

The Director of Central Intelligence and I are anxious to have this important effort commence once again. All agree that changes in the federal personnel security program are needed, and DoD, for its part, is holding certain actions in this area in abeyance which are dependent upon fundamental national decisions accruing from the study. You should also be aware that the Permanent Investigations Subcommittee of the Senate Government Operations Committee will hold hearings at the end of this month on federal personnel security programs. It would be desirable for us to advise the Committee that the Executive branch effort, begun in 1983, has been reinvigorated.

I would appreciate, therefore, your endorsing the paper forwarded by the SIG-I last May, and returning it to Ms. Lawton for appropriate follow-up by her working group.

Sincerely,


RICHARD G. STILWELL
General, USA (Ret.)
Chairman, IG/CM

cc:
Mr. Casey
Ms. Lawton

FOR OFFICIAL USE ONLY
The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry
85- 361

23 JAN 1985

General Richard G. Stilwell, USA (Ret.)
Chairman, Interagency Group/Countermeasures
Office of Secretary of Defense
Washington, D.C. 20301

Dear Dick:

The options paper on the NSDD-84 personnel security review that was attached to Mary Lawton's 13 January 1984 memorandum to you was endorsed by the Senior Interagency Group (Intelligence) and forwarded to Mr. McFarlane for guidance.

I would appreciate your keeping a close watch on the progress of this review. While it got off to a good start, a broad-ranging effort such as this can take unexpected directions unless closely monitored. Of particular interest to me is the need to ensure that personnel security standards proposed by the review group do not have an adverse effect upon those governing access to intelligence source and methods data (e.g., Sensitive Compartmented Information, HUMINT reporting). Of particular concern to both of us should be the risk of weakening SCI access rules through proposals to merge them with standards for other security clearances or by making their applicability dependent on resource or administrative considerations. New standards applicable to intelligence material access should support my statutory responsibility for the protection of intelligence sources and methods and my authority under Executive Order 12333 to prescribe common security and access standards for foreign intelligence systems, information and products. If any significant problems arise regarding this topic, let's discuss them. Technical matters can be referred to my Security Committee. Thanks for your help on this.

Sincerely,

/s/ William J. Casey

William J. Casey
Chairman

FOR OFFICIAL USE ONLY

L-117
NSDD-84

DCI
EXEC
REG